

which existed before the war were the models and the prototypes of the Federal treasury management under the *regime* of legal tender paper. Their issues were not banknotes in the sense in which banking currency is opposed to a government paper currency, but they were simply the bills of credit of the State resting upon the credit of the State as completely as the paper roubles of the Bank of Russia. The fact that they were hardly ever maintained at par in coin, in spite of the great wealth and undoubted honesty and good faith of the people of the various commonwealths, is a practical demonstration of the folly of attempting to do a banking business upon general credit without quick assets. The lesson of the history of the State banking systems, reduced to its simplest terms, is the success of the systems based upon the banking principle and the failure of the systems based upon the deposit of securities, like the national banking system, or based simply upon the public credit, like the government currency system of the United States.

One of the essential errors of early banking in the United States was the undue expansion of credit upon slender resources. It is an error common in a new country and one from which the United States and Australia, in more recent years and under other systems of note issue, have not been exempt. The impression has been assiduously cultivated by the opponents of a banking currency that the early American banks issued a volume of circulating notes enormously in excess of the legitimate demands of business. This impression is absolutely unfounded and the proof is afforded by the figures. Some of the State banking currencies were over-issued in the sense that every dollar which is not kept at par with the metallic standard is improperly issued, but the aggregate banking currency of the country was at no time over-issued in the sense that an equal volume of good money was not capable of ready and healthy absorption by the legitimate demands of business. The circulation of all forms of money in the United States between 1880 and 1895 ^{was} ranged between \$21.71 and \$24.44 ^{annually}